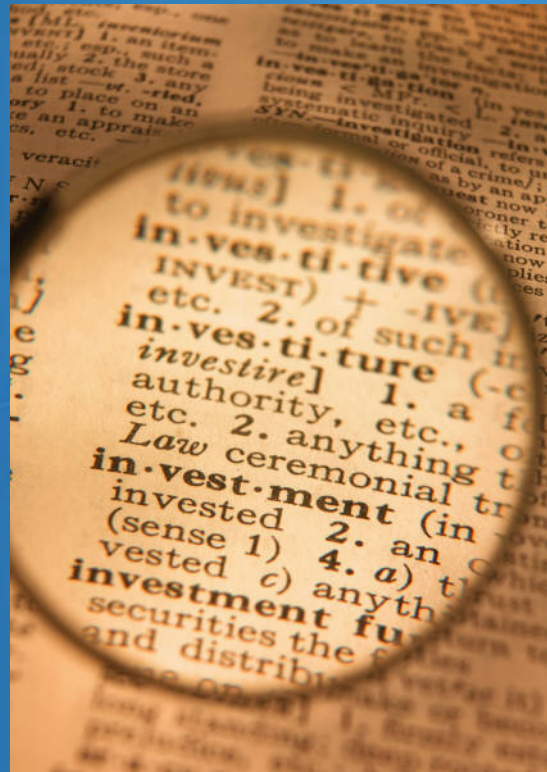


Update 2013

Water Finance Planning Framework



May 2, 2013

Update 2013 Finance Planning Framework Purpose

- Frame discussions that lead to productive outcomes
- Create a common and comprehensive understanding of current [finance] conditions
- Inform post-2014 general obligation bonds
- Guide legislation pertaining to finance planning and strategies
- Clarify and align State IWM funding and finance
- Prioritize future State IWM investment

Update 2013 Finance Planning Framework

This is a long term strategic planning framework and is NOT intended to change or supplant:

- (1) Current [2014] G.O. bond discussions
- (2) Ongoing State grant and loan activities
- (3) Specific State programs or projects that are currently being planned or implemented
- (4) Local or regional governance and finance

IWM Finance Planning Framework

Summary of Finance Caucus Comments to Date

- Define future State government role in IWM; if not administering G.O. bonds
- Clarify how State government investment prioritization will occur
- Emphasize historical role of local government in planning, investment, and management of IWM
- Acknowledge importance of guiding principles for framing State water finance – particularly beneficiary pays

IWM Finance Planning Framework

Summary of Finance Caucus Comments to Date

- Consider deferring the finance objective and related actions to future Update
- Revise phrasing around Proposition 218
- Concerns regarding public goods charge/statewide fee
- Acknowledge role of future G.O. Bonds
- Minimize the use of buzz words

IWM Finance Planning Framework

Summary of Finance Caucus Comments to Date

- Map the storyboard to the rest of the Update 2013 document
- Bring findings and other important messages up front
- Clarify, evolve and emphasize the “so what” messages
- Various corrections, clarifications and caveats for data
- Be more consistent and/or define several terms

IWM Finance Planning Framework

Summary of Finance Caucus Comments to Date

- Improve descriptions of current and future role of State Government
 - Constitutional/statutory obligations
 - Commitments
 - New roles that support IWM (leadership)
- Significantly advanced shared-value statements (formerly referred to as guiding finance principles)
- Notes from April 11 Finance Caucus meeting will be posted here:
<http://www.waterplan.water.ca.gov/materials/index.cfm?subject=apr1113>

Framework Structure and Outline

Framework Structure

Update 2013 Finance Planning Framework (Shown integrated into Volume 1)

May 2, 2013

This document represents the general approach for building the Update 2013 financing planning framework into Volume 1 of Update 2013. The text below each heading shows the outline of the chapter. It also maps the linkages between the chapter content and the storyboard components.

The last row provides an indication of completeness for each section of the finance planning framework for Update 2013. Sections that are not completed for Update 2013 will be recommended for advancement or completion for Update 2018. Green = Completed for Update 2013; Yellow = Partially Completed



(Light touch)

Chapter 1 - Introduction	Chapter 2 – CA Water Today	Chapter 3 - Imperative to Invest (in Innovation and Infrastructure)	Chapter 4 State Agency Plan Alignment
Finance Storyboard Component: Cuts across most components with a high level description of need for improved investment planning and strategies	Finance Storyboard Component: 1 – IWM Scope and Outcomes 3 – Existing Funding 4- Funding Sustainability	Finance Storyboard Component: 1 – IWM Scope and Outcomes 2 – IWM Activities 3 – Existing Funding 4- Funding Sustainability	Finance Storyboard Component: 1 – IWM Scope and Outcomes 2 – IWM Activities
A Call for Action Three Themes of Update 2013 Integrated Water Management Government Agency Alignment Investment in Innovation and Infrastructure Guide to Update 2013 Documents — Foundational and New Features Enhancements to Update 2013 — Adapting to Changing Decision Support Needs Progress Toward Implementing Update 2009 Objectives	Planning For Stability Amid Extreme Diversity and Variability Land Use and Development Patterns Water Conditions IWM Funding and Expenditures Critical Challenges Responses and Opportunities	A Critical Time to Invest. Fundamental Lessons Focus of Update 2013 — Three Overarching Themes Looking to the Future — The Roadmap Vision. Mission. Goals. Objectives. Guiding Principles. Companion Plans Role of State Government in Integrated Water Management	Water Management in California Legal Framework Agencies and Departments with Water-related Roles and Responsibilities California Government Federal Government Public Agencies, Districts, Local Governments, and Investor-owned Utilities Tribal Governments, Organizations, and Communities State Agency Coordination Companion State Plans Water Plan Objectives and Related Actions Resource Management Strategies
	Expenditure data gaps and lack of consistent methods/sources	Limited description of future role of State government	

Framework Structure

Update 2013 Finance Planning Framework (Shown integrated into Volume 1)

Chapter 6 - Integrated Data and Analysis	Chapter 7 - Finance Planning Framework	Chapter 8 - Implementation Plan
Finance Storyboard Component: 8 – Trade-Offs	Finance Storyboard Component: All Components	Finance Storyboard Component: Draws from all finance content to yield finance objective and related actions
<p>Where We Are Today Integrated Data and Analysis Linking Collaborative Process with Technical Enhancements Providing Effective Analytical Tools Improving and Sharing Information Information Gaps and Limitations</p> <p>Where We Want to Be Integrated Water Management Integrated Flood Management Ecosystem Restoration and Ecosystem Services Adapting to Climate Change</p> <p>How We Get to Where We Want to Be (Partial List of Content) Objectives for Informed and Transparent Decision Making Linking Collaborative Processes with Technical Enhancements Common Conceptual Understanding of Water System Water Portfolios Future Scenarios Water Sustainability Finance Decision Support System Improving and Sharing Information Strategic Plan to Improve Water Management Information Integrating Urban Water Management Plans, Integrated Regional Water Management Plans, and the California Water Plan 2013</p>	<p>Key Definitions</p> <p>Findings</p> <p>Finance Framework Component 1 – IWM Scope and Outcomes Component 2 – IWM Activities Component 3 – Existing Funding Component 4 – Funding Sustainability Component 5 – State Role and Partnerships Component 6 – Future Costs Component 7 – Funding, Who and How Component 8 – Trade-offs</p> <p>Next Steps</p> <ul style="list-style-type: none"> • Ties together all the finance content in chapter 7 • Provide guidance on future applications and implementation of the finance framework. • Future work for several components for Update 2018 and beyond. • Provide a transition from this chapter to (and rationale for) the finance objective and related actions published in the Update 2013 Implementation Plan (Chapter 8). 	<p>Objectives and Related Actions Objective 1 – Expand Integrated Regional Water Management Objective 2 – Use and Reuse Water More Efficiently Objective 3 – Expand Conjunctive Management of Multiple Supplies Objective 4 – Protect Surface Water and Groundwater Quality Objective 5 – Expand Environmental Stewardship Objective 6 – Practice Integrated Flood Management Objective 7 – Manage a Sustainable California Delta Objective 8 – Prepare Prevention, Response, and Recovery Plans Objective 9 – Reduce Energy Consumption of Water Systems and Uses Objective 10 – Improve Data & Analysis for Decision-making Objective 11 – Invest in New Water Technology Objective 12 – Improve Tribal Water and Natural Resources Objective 13 – Ensure Access to Equitable Distribution of Benefits from the State's Water, Waterways, Lakes, and Beaches Objective 14 – Improve Integrated Water Management Finance Planning and Finance Strategy Implementation Objective 15 – Align Land Use Planning and Integrated Water Management Objective 16 – Strengthen Alignment of Government Processes and Tools</p>
Plan to develop decision support system for use in future Updates	Limited by lack of stakeholder agreement and available data and tools	Will be published, but limited by lack of stakeholder agreement/Data and tool limitations

Volume 1 – Strategic Plan

- Chapter 1 – Planning for Environmental, Economic and Social Prosperity
- Chapter 2 – California Water Today
- Chapter 3 – Imperative to Invest in Innovation and Infrastructure
- Chapter 4 – Companion Plans
- Chapter 5 – Managing an Uncertain Future
- Chapter 6 – Integrated Data and Analysis
- Chapter 7 – Finance Planning Framework
- Chapter 8 – Implementation Plan

Chapter 1 – A Call For Action

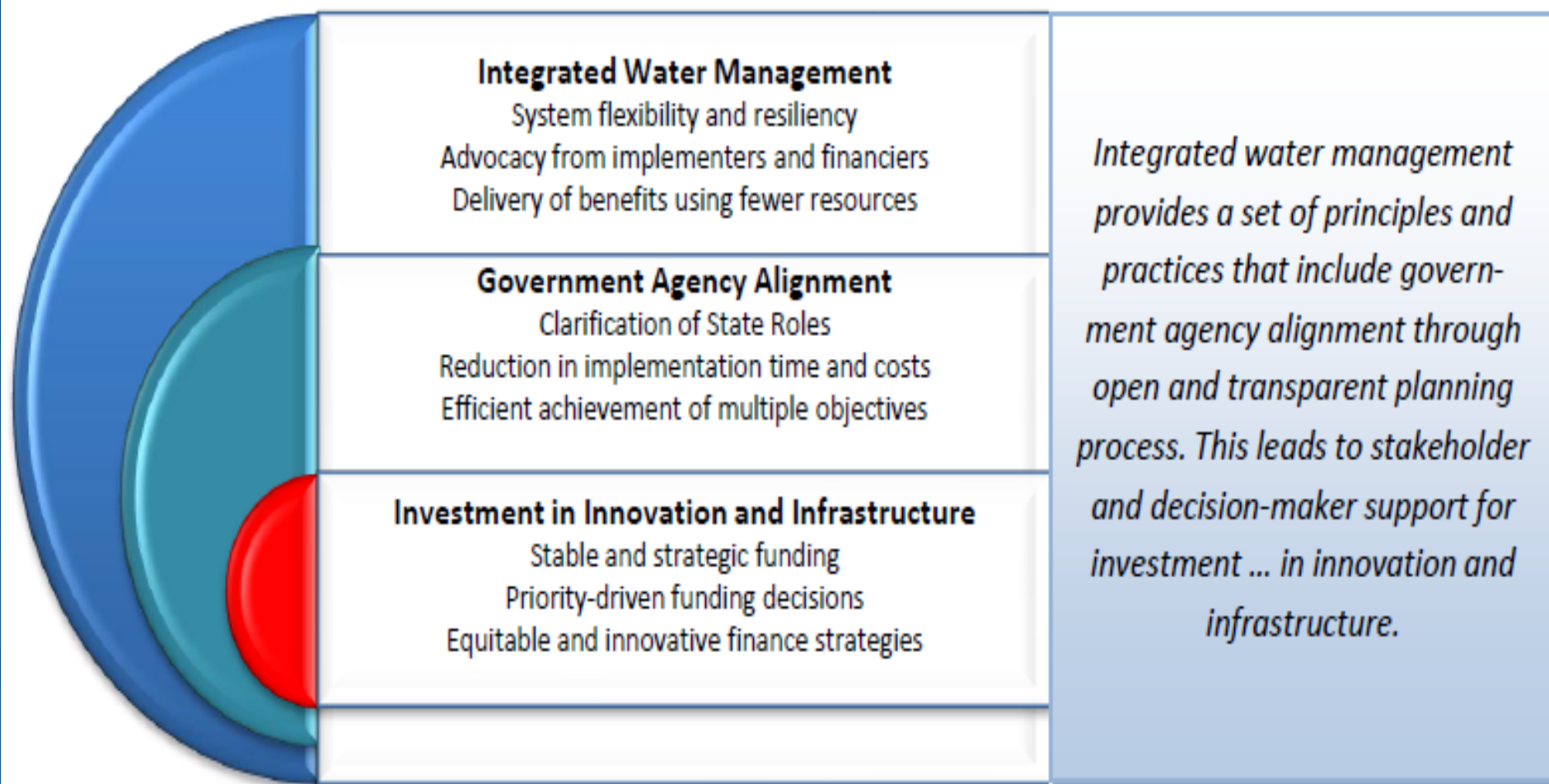
- California faces unacceptable risks from flooding, unreliable water supplies, and habitat and species declines
- Stakes are tremendously high and every Californian has a stake

Chapter 1 – A Call for Action

- California must make its economy -- business and finance -- more stable with a higher degree of certainty that natural resources will be sustained over the long term, flood damages will be averted, water supplies will be reliable and predictable, and recreational opportunities will be improved.

Chapter 1 - Update 2013 Themes

Figure 1-1 Themes of California Water Plan Update 2013

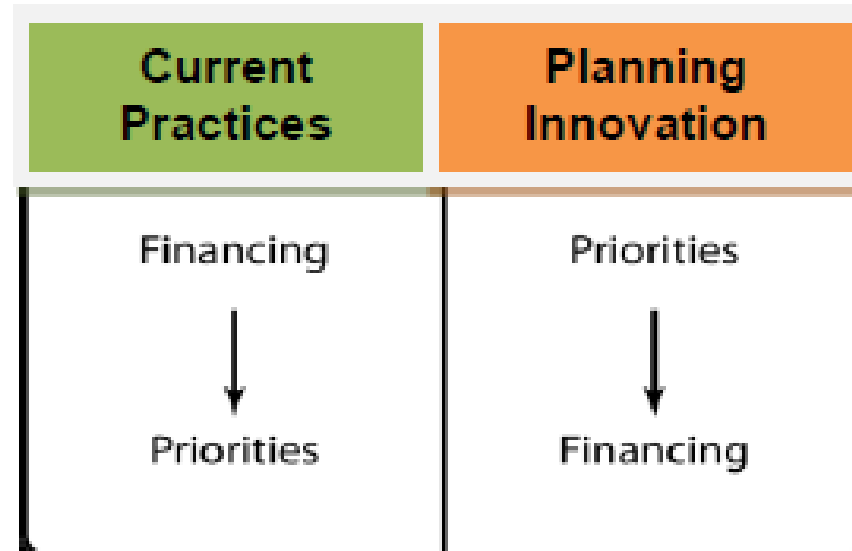


Chapter 1 - Key Messages

(Partial list)

- Stable, priority-driven funding sources are essential to successful integrated water management

Figure 1-2 Priority-Driven Financing



Chapter 2 - Outline

(Partial list)

- Planning For Stability Amid Extreme Diversity and Variability
- Land Use and Development Patterns
- Water Conditions
- IWM Funding and Expenditures
- Critical Challenges
- Responses and Opportunities

Chapter 3 - Outline

(Partial list)

- A Critical Time to Invest
- Fundamental Lessons
- Looking to the Future — The Roadmap
 - Vision, Mission, Goals, Guiding Principles, Objectives
- Role of State Government to enhance Integrated Water Management

Chapter 8 – Implementation Plan

- IWM Objectives (13 in Update 2009)
- Related Actions (115 in Update 2009)
- Broad range of specificity
- Most actions from companion State plans
- Adding finance objective (and related actions) for Update 2013

Chapter 7 – Finance Planning Outline

Chapter 7. Finance Planning Framework *[DRAFT Annotated Outline]*

About This Chapter

The purpose of this chapter is to:

- (1) Create a common and comprehensive understanding of current [finance] conditions;
- (2) Provide a framework for improving integrated water management funding and finance;
- (3) Provide a menu and trade-off assessment of available finance mechanisms;
- (4) Present data, information and stakeholder input such that it supports findings, principles and shared value statements.
- (5) Document next steps for further implementing the finance storyboard and for creating effective finance recommendations in Chapter 8 – Implementation Plan.

This Update 2013 Finance Framework chapter addresses these topics:

- Key Definitions
- Findings
- Framework
- Next Steps

Key Definitions: *[Note: This will be a box or sidebar]*

- Funding -
- Finance -
- *Finance Storyboard* – A logically sequenced planning framework that provides a common language and understanding of the suite of finance issues that are critical for advancing statewide IWM finance planning.
- Finance Strategies -
- Expenditures -

Findings

The purpose of this section is to highlight findings derived from the data, analysis and stakeholder collaboration conducted as part of the Update 2013 process. The findings represent a significant step forward in the comprehensive understanding of complex finance mechanisms that, over time, were created in a disintegrated fashion. This information was used as the basis from developing the framework described in this chapter as well as shaping the finance objective and related actions in Chapter 8 – Implementation Plan.

Framework

During the Update 2013 process, a finance storyboard was developed in response to several observations and stakeholder input received early in the process. The most prominent observation was that there was no common language, much less common understanding of, the finance methods and issues across California's geographic regions, IWM topics, and levels of government (e.g. local, state, federal, Tribal). The purpose of the storyboard for Update 2013, and beyond, is to identify, and provide an organization for, the suite of issues that are critical for advancing a statewide IWM finance planning effort. It also provided the structure and the flow of logic required to synthesize large volume of information and

Update 2013 Finance Planning Next Steps

- Incorporate feedback received during today's meeting
- Update 2013 Admin Draft to DWR executive management – May through June 2013
- Public Review Draft August 2013
- Release Final Water Plan Update March 2014